

TARIFF COMMISSION
GOVERNMENT OF INDIA



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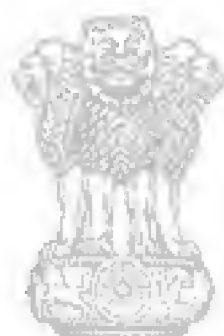
REPORT
ON THE
CONTINUANCE OF PROTECTION
TO THE
COATED ABRASIVES INDUSTRY

BOMBAY

1955

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Report on the continuance of protection to the coated abrasives industry

1. The claim of the coated abrasives industry to protection or assistance was first referred to the Tariff Board by the Government of India in February, 1946. After a detailed inquiry, the Board submitted its Report in June, 1946 recommending protection to the industry till the end of March, 1949 by conversion of the then existing revenue duties of 36 per cent. *ad valorem* standard and 24 per cent. *ad valorem* preferential on abrasive papers into protective duties at the same rate, and by conversion of the then existing revenue duty of 30 per cent. *ad valorem* on emery cloth into an enhanced protective duty of 40 per cent. *ad valorem*. The Government of India decided to convert the then existing revenue duties on both abrasive papers and cloth into equivalent protective duties but did not consider it necessary to enhance the *ad valorem* duty on emery cloth to 40 per cent. as recommended by the Board. Towards the end of 1948, the Board, after a preliminary investigation, came to the conclusion that there was a *prima facie* case for continuance of the then existing measure of protection for another year, i.e., upto the end of March, 1950, and recommended to Government accordingly in December, 1948. The Board intended to examine in detail the question of continuance of protection to this industry beyond 31st March, 1950 sometime towards the end of 1949. In the meanwhile, Ajax Products Ltd., Madras and Krishnalal Thirani & Co. Ltd., Calcutta, the two principal producers of coated abrasives, as well as the Engineering Association of India, Calcutta made representations to the Government of India that as the cost of production of both sand/flint paper and emery cloth had increased considerably, and as imports of glass and emery paper from sterling and soft currency countries had been brought under open general licence with effect from 3rd July, 1948, the domestic industry needed additional protection against competition from imported goods. Consequently, Government requested the Tariff Board to undertake an inquiry into these representations under section 4 (1) of the Indian Tariff Act, 1934. The Board made necessary inquiries and submitted its report in May, 1949 recommending an increase in the rate of protective duty on emery cloth and abrasive rolls etc. covered by I.C.T. item No. 30(10) from 30 to 35 per cent. *ad valorem*. The Board also took this opportunity to review the question of continuance of protection to the industry beyond 31st March, 1950 and recommended continuance for a further period of two years from 1st April, 1950. Government accepted these recommendations and protection was continued at the rates of duties

Previous tariff in
quiries.

recommended by the Board upto the end of December, 1952 by the Indian Tariff (Second Amendment) Act, 1950. Subsequently, the period of protection was further extended, in consultation with the Tariff Commission, upto 31st December, 1954. In August, 1953, the Commission held an inquiry into this industry and submitted its report on 12th January, 1954 recommending that protection to the industry should be continued for a further period of one year, i.e., upto 31st December, 1955. The Commission recommended, further, that the protective duty on abrasive papers covered by I.C.T. item No. 30(9) should be continued at the then existing preferential rate of 25 $\frac{1}{5}$ per cent. *ad valorem* inclusive of surcharge, the standard rate being fixed in accordance with the provisions of the India-U.K. Trade Agreement, and that the protective duty on abrasive cloth covered by I.C.T. item No. 30(10) should be fixed at 31 $\frac{1}{2}$ per cent. *ad valorem* inclusive of surcharge. These recommendations were accepted by the Government of India in the Ministry of Commerce and Industry Resolution No. 1(1)-TB/53, dated 1st May, 1954.

2. The protection granted to the coated abrasives industry is due to expire on 31st December, 1955. The present inquiry has, therefore, been undertaken under Section 11(e) read with Section 13 of the Tariff Commission Act, 1951 under which the Commission has been empowered to inquire into and report on any further action required in relation to the protection granted to an industry with a view to its increase, decrease, modification or abolition according to the circumstances of the case.

3.1. On 11th July, 1955 the Commission issued questionnaires to producers, importers and consumers of coated abrasives in order to elicit their views on various points arising out of this inquiry. The Industrial Adviser (Engineering), Ministry of Commerce and Industry (Development Wing), was requested to furnish a detailed memorandum on the industry. The Indian Standards Institution was requested to inform the Commission regarding the progress made by it in formulating standard specifications for coated abrasives. Letters were addressed to the Engineering Association of India, Calcutta and to the Emery and Coated Abrasives Manufacturers' Association, London inviting their views on the question of continuance of protection to this industry and related matters. The Indian High Commission in the U.K. and the Indian Embassies in Italy and Japan were requested to furnish the latest f.o.b. prices of coated abrasives exported from the respective countries. The Collectors of Customs were also requested to furnish information regarding the c.i.f. prices of abrasive papers and cloth imported recently. A list of those who were addressed for information or views relating

to this industry and from whom replies or memoranda were received is given in the Appendix.

3.2. Shri N. Krishnan, Senior Cost Accounts Officer of the Commission, visited the works of Carborundum Universal Ltd., Madras from 18th to 20th July, 1955 and examined the cost of production of abrasives manufactured by them.

4. The existing scheme of protection includes (a) abrasive paper and rolls, coils, discs, belts, shapes and tapes made of such paper (b) emery cloth and rolls, coils, discs, belts, shapes and tapes made of such cloth or a combination of such cloth and paper. The present inquiry covers all these items. Glass paper, although not produced in the country, also continues to be subject to the same rate of duty as indigenous flint paper which serves as a satisfactory substitute for foreign glass paper. Emery fillets are not yet produced in India, although two units have plans to produce them in the near future. We have, therefore, not included this item in the scope of this inquiry.

5.1. In its 1954 Report the Commission made the following two recommendations which were both accepted by Government:

Recommendations in the previous Report on matters other than tariffs.

(a) The concession of duty-free imports of emery and kraft paper required for the manufacture of coated abrasives should be continued.

(b) The Indian Standards Institution should be requested to finalise specifications for abrasives manufactured in India as early as possible.

5.2. As regards (a) above, the industry represented to the Commission in May, 1954 that although the concession of refund of import duty previously granted to the industry included synthetic grains as well as emery and kraft paper, the absence of specific reference to synthetic grains in the Commission's recommendation had given rise to doubts as to whether the Commission wished this material to be included. The position was clarified by the Commission and it was confirmed by the Ministry of Commerce and Industry in their letter dated 16th August, 1954 that the concession of refund of duty on imports of synthetic grains would continue to be in force.

5.3. We are informed by the Indian Standards Institution that they expect to publish the standards for abrasives by the end of 1955. The standards will relate to paper, cloth or a combination of paper and cloth, coated with any of the several abrasive materials, [flint,

glass, emery, corundum, garnet, synthetic aluminium oxide or silicon carbide], in the form of sheets, discs or converted shapes and sizes, used in leather-working, wood-working, metal-working, and general utility work. No standard has been formulated for water-proof abrasives.

6.1. At the time of the last tariff inquiry in 1953 the industry consisted of the following four units, having a total rated capacity of 80,000 reams per annum on single shift basis:—

Present position of the industry including capacity and production.

Ajax Products Ltd., Madras	30,000 reams.
Krishnalal Thirani & Co., Ltd., Calcutta	30,000 „
National Sand Paper Mills (India) Ltd., Ghaziabad	12,000 „
Straw Board Manufacturing Co., Ltd., Saharanpur	8,000 „
TOTAL	80,000 „

Ajax Products Ltd., went into voluntary liquidation in October, 1954, and ceased production of abrasives in December, 1954. Their plant and machinery, land and building were purchased by a newly established company, Messrs. Carborundum Universal Ltd. which commenced production in February, 1955.

6.2.1. The industry now consists of the following four units whose total rated capacity on single shift basis amounts to 147,600 reams per annum as shown below:—

Carborundum Universal, Ltd., Madras	30,000 reams.
Krishnalal Thirani & Co., Ltd., Calcutta	42,000 „
National Sand Paper Mills (India) Ltd., Ghaziabad	27,600 „
Straw Board Manufacturing Co. Ltd., Saharanpur	48,000 „
TOTAL	147,600 „

It will be observed that there are marked increases in the rated capacity of Krishnalal Thirani, National Sand Paper Mills and Straw Board Manufacturing Co., as compared to those stated in para. 6.1. above. The Development Wing of the Ministry of Commerce and

Industry have stated that they have conducted a survey of the three factories to verify their capacity and have found the higher estimates made by the companies to be generally correct.

6.2.2. Carborundum Universal have stated that by April-May, 1956, after installation of certain drying and ventilating equipment, a part of which has arrived and the rest is expected shortly, the annual rated capacity of the factory will increase to 70,000 reams. Another new unit *viz.*, Hindustan Abrasives, (Omalur, Salem District, Madras State) has erected a modern plant for the manufacture of coated abrasives. With some additional balancing equipment yet to be installed, the plant is expected to have an annual rated capacity of 60,000 reams on single shift basis. It is not known when this factory is likely to go into production.

6.2.3. Thus, the annual rated capacity of the industry on single shift basis which is 147,600 reams at present, is expected to increase to 187,600 reams when Carborundum Universal instal their additional equipment and to 247,600 reams when Hindustan Abrasives start production.

6.3. Brief particulars regarding the five units referred to above are given below.

6.3.1. *Carborundum Universal Ltd.* is a public limited company with an issued capital of Rs. 50 lakhs and a paid up capital of Rs. 36,36,800. 49 per cent. of the issued capital aggregating Rs. 24.5 lakhs is held by the foreign collaborators *viz.*, Universal Grinding Wheel Co. Ltd., of U.K. (Rs. 11 lakhs) and Carborundum Co. Inc. of U.S.A. (Rs. 13.5 lakhs). Under the terms of an agreement between Carborundum Universal and the Carborundum Co. Inc. the former is entitled to get from the latter the benefit of all technical information and know-how on a continuing basis for the manufacture of coated abrasives subject to payment of an annual service fee equal to 3 per cent. of net sales of the products manufactured. The Indian Company is also entitled to use the trade marks of Carborundum Co. Inc. Both the foreign companies have agreed to provide technical experts as well as facilities for the training of Indian personnel. Carborundum Universal produce coated abrasives in the form of both paper and cloth, using a variety of abrasive materials such as flint, emery, garnet, silica and aloxide, in reams, rolls, belts, discs, etc., bonded abrasives such as grinding wheels, sharpening stones, rubbing bricks and sticks, rolls and scoring blocks, and other products such as valve grinding compound, spark plug compound, cutting, lapping and polishing compound, etc. The Company is

managed by two Managing Directors, and the factory is located in Madras.

6.3.2. *Krishnalal Thirani & Co. Ltd.* is a public limited company with an authorised capital of Rs. 20,00,000 and a paid-up capital of Rs. 9,01,000. The Company is managed by a Managing Director and the factory is located at Calcutta. Its products comprise of sand paper, emery paper, emery cloth, tapes, belts and sanding discs. Its negotiations for foreign collaboration, which were referred to in the Commission's last report have not yet been concluded. We are informed by the Company that its Managing Director intends to proceed to U.K. shortly to finalise a scheme for the manufacture of water-proof abrasives and resin bonded abrasives, that orders have been placed for plant and machinery for the manufacture of emery fillets, and that the plant is expected to commence operation in about 8 to 9 months from now.

6.3.3. *National Sand Paper Mills (India) Ltd.* is a public limited company with an authorised capital of Rs. 5,00,000 and a paid up capital of Rs. 2,66,500. Messrs. N. N. Mohan & Co. are the Managing Agents. The factory is located at Ghaziabad (U.P.) Besides coated abrasive paper of sand, glass, flint, corundum and emery which the Company was making in the past, it now claims to be making water-proof abrasives also.

6.3.4. *Straw Board Manufacturing Co. Ltd.* is a public limited company with an authorised, issued and paid-up capital of Rs. 20 lakhs. It is managed by a Managing Director and is located at Saharanpur (U.P.). The Company's production includes emery, glass and garnet paper, emery cloth, water-proof abrasive paper and cloth, emery discs, and sand belts; since 1953 it has begun to produce abrasive discs and abrasive cloth belts, and claims to have started experimental production of emery fillets and a new variety of water-proof abrasive using a plastic binder.

6.3.5. *Hindustan Abrasives* are a partnership concern registered in Bihar in 1952. They propose to convert themselves into a limited liability company. The invested capital is stated to be about Rs. 8 lakhs. Their factory is located in Omalur in Salem District, Madras State; its erection is complete but only trial runs have been made. They are reported to be negotiating with Messrs. Riken Corundum Co. Ltd. of Tokyo (Japan) for technical collaboration for the manufacture of all kinds of coated abrasives, especially of the technical quality. The Technical Director of the Japanese Company visited the factory in June, 1955 and his report is awaited.

6.4. The following statement shows the production of coated abrasives (paper and cloth) in India since 1953:

	In reams		1955 (Jan.-June).
	1953	1954	
1. Ajax Products Ltd.*	18,338	18,494	..
2. Carborundum Universal Ltd.† . .	..	..	5,257 (since (Feb.)
3. Krishnalal Thirani & Co., Ltd. .	21,245	30,163	18,344
4. National Sand Paper Mills (India) Ltd.	12,558	12,595	4,925
5. Straw Board Manufacturing Co., Ltd.	8,851	9,385	6,058
TOTAL.	60,992	70,637	34,584

7.1. The domestic demand for coated abrasives was estimated by the Commission at its last inquiry at about 80,000 reams in 1954 and 1,00,000 reams in 1955, the latter on the basis of an increase of 25 per cent. over the former. In connection with the present inquiry, Carborundum Universal and Krishnalal Thirani & Co. have estimated the demand in 1955-56 at 80,000 reams and the National Sand Paper Mills at 60,000 reams. These three firms estimate the probable increase in demand in future at 15 per cent., 20 per cent. and 33-1/3 per cent. respectively. The Development Wing of the Ministry of Commerce and Industry estimates the present indigenous demand at 80,000 to 82,000 reams per annum and the future increase at the rate of 10 per cent. per annum. We are also informed that a production target of 150,000 reams for 1960-61 is likely to be included in the Second Five Year Plan.

7.2. The usual practice of checking the estimates of demand by adding the figures of indigenous production to those of imports is beset with some difficulty in this case, as the volume of imports is not recorded by reams, but by weight in cwts. (*vide* para. 10.1.). There is no accepted formula for converting weight into reams. We have, however, tried to assess the quantity of imports in reams on the basis of the recorded value, assuming that the average import prices of abrasive paper and abrasive cloth are likely to be Rs. 50 and Rs. 110 per ream respectively. These prices relate to high grade technical products and it is assumed that imports consist almost wholly of such products at present. Accordingly, the quantity of imported abrasive paper and cloth in 1954 works out to 4987 reams

*Besides the above, Ajax Products report having produced 1,460 reams in 1953 and 2,670 reams in 1954 of special varieties such as belts, tapes, rolls, etc.

†Carborundum Universal Ltd. commenced production on 11th February, 1955. In order to carry out certain improvements and modifications in the plant, production was suspended for a while and the total output was therefore very low as compared to capacity. Regular production has now been resumed.

and 1824 reams respectively, or 6811 reams of paper and cloth taken together. Adding to this the total indigenous production in 1954 viz., 70,637 reams, we arrive at the figure of 77,448 reams for that year. We, therefore, estimate the consumption in 1954 at 80,000 reams. The demand for 1955 is estimated at about 88,000 reams. We consider that the demand is likely to increase at the rate of about 10 per cent. per annum, which accords with the target of 1,50,000 reams for 1960-61 proposed for the Second Five Year Plan.

8.1. Natural abrasive materials such as flint, garnet, quartz and corundum are available from indigenous sources.

Raw materials As regards emery, both Carborundum Universal and Krishnalal Thirani request that no restriction should be placed on imports of Turkish emery, as the synthetic emery grains produced by Shevaroy Bauxite Products Co. Ltd., Salem, from fused bauxite do not satisfy their requirements except to a very limited extent. We are informed by Carborundum Universal that according to the laboratory tests carried out by them and by their foreign associates, synthetic lumps and grains from fused bauxite supplied by Shevaroy Bauxite Products stand no comparison with Turkish emery. We recommend that no restriction should be placed on imports of Turkish emery.

8.2. Synthetic abrasive grains such as silicon carbide and aluminium oxide are not manufactured in the country and imports of these materials from U.S.A. are being permitted.

8.3. Good quality backing cloth is available from indigenous mills. Indigenous kraft paper is not suitable for use as backing paper and imports are being permitted from Sweden, U.S.A. and U.K. Certain types of vulcanised fibre which are not available from indigenous sources are also being imported. Hide glue which is available in the country is satisfactory for the manufacture of ordinary quality abrasives but not for technical quality goods for which technical gelatine is required. We are informed that indigenous manufacturers have not yet succeeded in making technical gelatine of acceptable quality and that imports of the material are, therefore, being allowed.

8.4. We also recommend that imports of emery, synthetic abrasive grains and kraft paper required for the manufacture of coated abrasives should continue to be allowed free of duty. In this connection, the producers have complained that the refund of duty on these materials is sanctioned after inordinate delays which put them to considerable hardships. The producers have urged that, as in the case of abrasive grains imported by the grinding wheels industry

imports of the aforesaid materials by the coated abrasives industry also should be passed free of duty on the condition that the manufacturer will furnish within a stipulated period, a consumption certificate duly countersigned by the Director of Industries in his State. In the case of the grinding wheels industry the consumption certificate is required to be submitted "within six months from the date of import, or such extended period as the Collector of Customs may allow on good cause being shown". The manufacturers of coated abrasives have asked that the period should be extended to at least one year (with provision for further extension on good cause being shown), since it may not always be possible to consume the entire quantities imported within six months. We recommend that the producers should take up this matter directly with the Revenue Authorities who may examine the possibility of allowing imports of emery, synthetic abrasive grains and kraft paper required for manufacture of coated abrasives to be cleared free of duty subject to production of a consumption certificate within a reasonable period.

9.1. From the evidence received by us in connection with this inquiry, we find that the quality of indigenous coated abrasives has improved since the last inquiry and is generally satisfactory. The industry has also made some progress towards diversifying its production. Although the manufacture of resin-bounded abrasives and special technical quality products is not yet established, most of the producers have taken steps in this direction. Carborundum Universal have stated that their Associates in U.S.A. and U.K. are working on the production of suitable resins for use under tropical conditions, while Krishnalal Thirani & Co. claim to have plans for manufacturing resin-bounded abrasives shortly. Both Straw Board Manufacturing Co. and Krishnalal Thirani & Co. have informed us that they are taking steps to manufacture emery fillets by next year. As regards water-proof abrasives, Straw Board Manufacturing Co. have been producing them since 1953 and claim that their products have been found satisfactory by certain large users. National Sand Paper Mills also are producing water-proof abrasives. All the producers appear to be fully alive to the need for diversifying their production so as to include all types of coated abrasives used in the country.

9.2. We understand from the Development Wing of the Ministry of Commerce and Industry that Government have secured the services of an American expert to advise the indigenous manufacturers of coated abrasives in regard to their technical problems. We trust that the indigenous industry will make full use of this opportunity to effect further improvements in its manufacturing processes and the quality of its products.

9.3. Since coated abrasives are essential materials for almost all industries and the indigenous product is now enjoying a sheltered market, it is necessary that standard specifications should be available for judging the quality of the indigenous product. We, therefore, recommend that the Indian Standards Institution should expedite the formulation of standard specifications for all coated abrasives, including water-proof abrasives and emery fillets.

10.1. *Imports.*—Imports of coated abrasives are not recorded separately in the Accounts relating to the Foreign (Sea, Air and Land) Trade and Navigation of India. Imports and import control policy The Director-General of Commercial Intelligence & Statistics, Calcutta, however, has been supplying the Commission with statistics of imports of all protected categories of coated abrasives and the following statement gives the statistics as reported by the D.G.C.I. & S. for the years 1953 and 1954 and the first four months of 1955:—

Year	Abrasive paper		Abrasive cloth	
	Qty.	Value	Qty.	Value
	Cwts.	Rs.	Cwts.	Rs.
1953	869	3,31,274	276	1,30,800
1954	709	2,49,374	490	2,00,661
1955 (Jan.-April)	409	1,18,147	37	17,245

10.2. *Import Control Policy.*—The import control policy in respect of coated abrasives for the years 1954 and 1955 is given below:—

Sand paper and glass paper—

In 1954, no licences were granted except to actual users for special requirements, and the same policy has been continued in 1955.

Emery cloth and emery paper—

In 1954, no licences were granted for emery cloth and emery paper. The same policy has been in force in 1955. In 1954, imports of emery fillets and water-proof abrasive paper and cloth were licensed to established importers to the extent of 100 per cent. of one half of their best year's import but in 1955, the policy was liberalised and no quota limit was prescribed for these items. Applications were considered from all classes of applicants and licences were granted for reasonable values. A portion of the licences issued under this scheme was made valid for imports from the dollar area.

11. The following extract from the Indian Customs Tariff (39th issue) shows the existing rates of duties on the protected categories of coated abrasives:—

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of			Duration of protective rates of duty
				The United Kingdom	A British Colony	Burma	
30(9)	Abrasive papers and rolls, coils, discs, belts, shapes and tapes, made of abrasive paper but excluding emery fillets when imported as stores apart from machinery—						
	(a) of British manufacture	Protective.	25 1/5 % <i>ad valorem</i>.	..	..	..	December 31st, 1955
	(b) not of British manufacture.	Do.	37 4/5 % <i>ad valorem</i>	..	..	..	Do.
30(10)*	Emery cloth and abrasive rolls, coils, discs, belts, shapes and tapes made of emery cloth or a combination of emery cloth and paper but excluding emery fillets when imported as stores apart from machinery.	1)	31 1/4 % <i>ad valorem</i>	..	..	..	Do

*Under Government of India, Ministry of Commerce, Notification No. 1(1)-TB/49 dated the 24th September, 1949, read with Section 5 of the Finance Act, 1954, the duty shown against this item was raised to 36 3/4% *ad valorem*.

12.1. At the time of the last inquiry Ajax Products were taken as a representative unit for the purpose of cost investigation. Ajax Products have since gone into liquidation and their factory has been taken over by their successors Carborundum Universal Ltd. This Company has enlarged and modified the plant and machinery and has added new equipment such as an electro-static coating unit, a drying and ventilating unit, air conditioning equipment, etc., with a view to improving the manufacturing efficiency and increasing the output. The Company has adopted the basis of manufacture as laid down by its foreign collaborators who are among the leading manufacturers of coated abrasives in the world. We consider, therefore, that the cost of production of coated abrasives produced by this unit should be taken as representative of the industry as a whole. The cost data relating to this unit was examined by our Senior Cost Accounts Officer whose report is being forwarded to Government as a confidential enclosure to this report.

12.2. Carborundum Universal Ltd. commenced production only on 11th February, 1955. Although considerable additions have been made to their plant and machinery, they expect to achieve the projected capacity of 70,000 reams per annum only by April-May, 1956 after the installation of some more drying and ventilating equipment. Meantime their rated capacity on single shift basis is only 30,000 reams per annum. Production during the last few months has been only of the order of about 1,100 reams per month (paper and cloth) owing to interruptions caused by installation of new machinery. The programme of production envisaged by the Company for 1956, 1957 and 1958 is 50,000 reams, 60,000 reams and 70,000 reams respectively of all categories taken together. Taking into account these production targets and on the basis of the data collected by the Cost Accounts Officer we have framed estimates of the future costs of production of 3 representative grades of flint paper (grades 1, 1½ and 2) and two representative grades of emery cloth (grades 1/0 and 1). The grades selected by us together constitute about 80 per cent. of the total output of the Company. These estimates have been accepted by the Company's representatives.

12.3. On the basis of the usual pattern of production it has been assumed that the selected grades of flint paper will make up 50 per cent. of the total production and those of emery cloth 27.5 per cent. The cost of raw materials has been calculated on the basis of the latest purchase rates after excluding duties on emery, synthetic grains and kraft paper. It was observed that the usage of raw materials was almost the same as at the time of the last inquiry. A service fee equal to 3 per cent. of the net value of sales payable

to Carborundum Co. Inc. (U.S.A.) has been allowed. Depreciation has been calculated at the normal income-tax rates. Interest on working capital has been allowed at $4\frac{1}{2}$ per cent. on an amount equivalent to 4 months' cost of production. At the time of the last inquiry the gross block of Ajax Products in the coated abrasives section was assessed at Rs. 6.32 lakhs. Carborundum Universal acquired the land, buildings, machinery and equipment of the coated abrasives section of Ajax Products, together with certain other items of plant and machinery required for the manufacture of coated abrasives, at a negotiated value, and have made considerable additions to plant and equipment in order to increase their capacity and efficiency of manufacture. New buildings have also been constructed. The value of the gross block of Carborundum Universal relating to coated abrasives has consequently increased to Rs. 20.29 lakhs. We have allowed return at 10 per cent. on this amount.

12.4. The estimated fair ex-works prices per ream (480 sheets—size 9"×11") of flint paper and emery cloth of the grades specified below for the years 1956, 1957 and 1958 are as under:—

	1956		1957		1958	
	Flint paper 1, $1\frac{1}{2}$ & 2	Emery cloth 1/0 & 1	Flint paper 1, $1\frac{1}{2}$ & 2	Emery cloth 1/0 & 1	Flint paper 1, $1\frac{1}{2}$ & 2	Emery cloth 1/0 & 1
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Raw materials	11.97	76.87	11.97	76.87	11.97	76.87
Conversion charges (including depreciation and service fee)	10.44	20.62	9.17	18.17	8.34	16.57
Packing charges	1.10	1.10	1.10	1.10	1.10	1.10
Interest on working capital	0.30	1.36	0.29	1.34	0.29	1.32
Return on block	2.95	5.90	2.46	4.92	2.11	4.22
	26.76	105.85	24.99	102.40	23.81	100.08

12.5. The average of the estimated fair ex-works prices per ream for the future works out to Rs. 25.19 for flint paper and Rs. 102.78 for emery cloth.

13. The data received by us from Collectors of Customs regarding c.i.f. prices of imported coated abrasives of paper and cloth relate to special types of abrasives and are not useful for purposes of comparison with the estimated fair ex-works prices of the grades selected by us. We endeavoured to obtain information from importing firms regarding current overseas quotations, but were informed

that as imports had been banned, they had not been receiving this information. The Indian High Commission in the United Kingdom have advised us that twelve leading manufacturers of coated abrasives in the U.K., who were addressed by them for information regarding f.o.b. prices had replied that the information will be furnished to the Commission by the Emery and Coated Abrasives Manufacturers' Association. In their letter to the Commission, the Association have stated that the prices quoted by U.K. manufacturers which were reported by the Association in July 1953 in connection with the Commission's last inquiry are *still in force*. The Association have added that there is no likelihood of prices being reduced in the near future and that in fact there is a possibility of increase. Local trade representatives of U.K. abrasive manufacturers have also confirmed that there has been no price revision since 1953. In the circumstances, we have adopted the same c.i.f. prices as were adopted by the Commission at the last inquiry for the purpose of comparison with the fair ex-works prices of the indigenous products. The c.i.f. prices are as follows:

Cabinet glass paper	0-F2 M2-S2 2½-3	{ Average price adjusted to size 11" x 9"	{ Rs. 31.14 per ream. (Rs. 31-2-2)
Best quality emery cloth	{ 00-1½ 2-3		Rs. 99.77 per ream (Rs. 99-12-4).

The grades of foreign cabinet glass paper mentioned above are comparable to grades 1, 1½ and 2 of indigenous flint paper and those of foreign emery cloth to grades 1/0 and 1 of indigenous emery cloth.

14. We give below two statements comparing the fair ex-works prices of indigenous abrasives as estimated by us with the c.i.f. prices and landed costs of comparable foreign products.

Sand/Flint/Glass paper

	Rs.
(i) Fair ex-works price of indigenous product	25.19
(ii) C.i.f. price of comparable foreign product	31.14
(iii) Clearing charges @ 1½ per cent.	00.39
(iv) Landed cost ex-duty	31.53
(v) Excess of landed cost ex-duty over fair ex-works price (iv-i)	6.34

Emery cloth

(i) Fair ex-works price of indigenous product	102.78
(ii) C.i.f. price of comparable foreign product	99.77
(iii) Clearing charges @ 1½ per cent.	1.24
(iv) Landed cost ex-duty	101.01
(v) Excess of fair ex-works price over landed cost (i-iv)	1.77
(vi) Above excess as percentage of c.i.f.	1.77%

15. It will be seen from the above statements that no protective duty is indicated in the case of sand/flint/glass paper, while a duty of only 1.77 per cent. is indicated in the case of emery cloth. The position that was disclosed at the time of the last inquiry in 1953 was also almost identical, but the Commission decided to recommend continuance of protection for a further short period i.e., till the end of 1955 mainly to provide against the possibility of a fall in the prices of products imported from the U.K. No such fall has taken place in import prices, and we, therefore, consider that the industry is no longer in need of tariff protection. Tariff protection has been in force for over eight years during which the industry has consolidated its position and established itself on a secure basis. The total rated capacity of the industry is more than ample to serve the needs of the country and the range of manufacture is also being steadily extended. In the circumstances, there is no likelihood of imports being needed on any appreciable scale. There is, therefore, no reason to expect that if the industry maintains its present progress any relaxation of the existing restrictions on imports of coated abrasives will be necessary in the near future. The considerations that weighed with the Commission on the last occasion for extending protection no longer exist and we, therefore, recommend that protection to this industry need not be continued beyond 31st December, 1955. If at any time in the future, the industry finds itself unable to meet foreign competition, it may apply to Government for a fresh examination of its case.

16. Our main conclusions and recommendations are summarised as under:—

Summary of conclusions and recommendations.

(i) The annual rated capacity of the industry on single shift basis is at present 147,600 reams. The capacity is expected to increase to 187,600 reams when Carborundum Universal Ltd. instal their additional equipment and to 247,600 reams when Hindustan Abrasives start production.

[Paragraph 6.2.3.]

(ii) The current domestic demand for coated abrasives is about 88,000 reams. The demand is likely to increase at the rate of about 10 per cent per annum.

[Paragraph 7.2.]

(iii) No restriction should be placed on imports of turkish emery as indigenous synthetic emery grains produced by Shevaroy Bauxite Products Ltd. do not satisfy the requirements of the coated abrasives industry except to a very limited extent.

[Paragraph 8.1.]

(iv) Imports of emery, synthetic abrasive grains and kraft paper required for the manufacture of coated abrasives should continue to be allowed free of duty.

[Paragraph 8.4.]

(v) The manufacturers should make their representations regarding the present procedure in respect of the above concession to the Revenue Authorities direct, who may examine the possibility of allowing imports of the above materials to be cleared free of duty subject to production of a consumption certificate within a reasonable period.

[Paragraph 8.4.]

(vi) The Indian Standards Institution should expedite the formulation of standard specifications for all coated abrasives including water-proof abrasives and emery fillets.

[Paragraph 9.3.]

(vii) Protection to the coated abrasives industry need not be continued beyond 31st December, 1955. If at any time in the future, the industry finds itself unable to meet foreign competition, it may apply to Government for a fresh examination of its case.

[Paragraph 15.]

17. We wish to acknowledge the co-operation received by us from the manufacturers, importers and consumers of coated abrasives and the Government Departments in carrying out this inquiry.

B. N. ADARKAR, *Member.*

C. RAMASUBBAN, *Member.*

S. K. BOSE, *Secretary.*

BOMBAY,

30th September, 1955.

APPENDIX

(Vide Paragraph 3.1)

List of firms to whom the Commission's questionnaires were issued and from whom replies were received.

*Indicates those who replied.

A) Producers

- *1. Carborundum Universal Ltd., "Swastik House", 106, Armenian Street, Madras.
- *2. Krishnalal Thirani & Co. Ltd., 8, Royal Exchange Place, Calcutta.
- *3. National Sand Paper Mills (India) Ltd., Ghaziabad, U.P.
- *4. Straw Board Manufacturing Co., Ltd., Saharanpur, U.P.
- *5. Hindustan Abrasives, 106-C, South Avenue, New Delhi.
- 6. Engineering & Mineral Industrial Research Laboratory, Bangalore.

(B) Importers

- *1. H. S. Cox & Co., Ltd., 24, Rampart Row, Bombay-1.
- *2. Scott & Pickstock Ltd., 5, Fairlie Place, Calcutta-1.
- *3. Jessop & Co., Ltd., 63, Netaji Subhas Road, Calcutta-1.
- 4. Jost's Engineering Co., Great Social Building, Sir P. M. Road, Bombay-1.
- *5. William Jacks & Company Ltd., 16, Netaji Subhas Rd., Calcutta-1.
- 6. Armstrong Smith (India) Ltd., Gresham Insurance Building, Sir P. M. Road, Bombay.
- *7. Machine Tools (India) Ltd., Stephen House, Dalhousie Square, Calcutta-1.
- *8. Batliboi & Co. Post Box No. 190 A, Forbes Street, Fort, Bombay.
- 9. Asiatic Engineers, Mehta Building, Meadows Street, Bombay-1.
- *10. Emery and Coated Abrasives Manufacturers' Association, 33, Catherine Place, London, S.W.-1.

(C) *Consumers*(i) *Leather Industry*

- *1. Bata Shoe Company Ltd., 30, Theatre Road, Calcutta-16.

(ii) *Automobile Industry*

- *2. Premier Automobiles Ltd., Agra Road, Kurla, Bombay-37.

(iii) *Cycle Industry*

- *3. Hind Cycles Ltd., 250, Worli, Bombay-18.
- 4. T. I. Cycles (India Ltd., "Swastik House" 106, Armenian Street, Madras.

(iv) *Steel Furniture Industry*

- *5. Godrej & Boyce Mfg. Co. Ltd., Lalbaug, Parel Bombay-12.
- 6. Chemould Manufacturing Co., Taj Building, 210, Hornby Road, Bombay-1.

(v) *Sewing Machine Industry*

- *7. Jay Engineering Works Ltd., 183A, Prince Anwar Shah Road, Dhakuria, Calcutta-31.

(vi) *Pump Industry*

- 8. Kirloskar Bros. Ltd., Kirloskarwadi, South Satara District, Bombay State.
- 9. P.S.G. & Sons Charity Industries Institute, Peelamedu P.O. Coimbatore, South India.

(vii) *Boiler Industry*

- 10. Textile Machinery Corporation Ltd., (Boiler Factory) 8, Royal Exchange Place, Calcutta.

(viii) *Diesel Engine Industry*

- *11. Ruston & Hornsby (India) Ltd., Forbe Street, Bombay.
- 12. Cooper Engineering Ltd., Satara Road, South Satara, Bombay State.
- 13. Kirloskar Oil Engines Ltd., Elphinstone Road, Kirkee, Poona.
- *14. Kulko Engineering Works Ltd., Ichalkaranji, Kolhapur District, Bombay State.

(ix) *General Engineering and Workshop Industry*

- *15. National Machinery Manufacturers Ltd., Kalwe, Thana.
- 16. Curson & Co., Mount Road, Madras.
- 17. Hoogly Docking and Engineering Co., Ltd., 6, Howrah Road, Howrah.
- *18. Port Engineering Works Ltd., 8, Clive Row Calcutta-1.

19. East Bengal Engineering Works, 2, Rustomji Parsi Road, Cossipore, Calcutta.

*20. Alcock, Ashdown & Co., Ltd., Defence Works, Mazagaon, Bombay-10.

21. H. I. Dixon & Co., Ltd., Love Lane, Cross Lane, Byculia, Bombay-27.

(x) *Wooden Furniture Industry*

*22. Standard Furniture Co. Ltd., Kallai, Kozhikode-3.

(xi) *Plywood Industry*

23. Plywood Manufacturers' Association of India P-11, Mission Row Extension, Calcutta-1.

(xii) *Ship Building Industry*

24. Hindusthan Ship Building Yard, Gandhigram, Vizagapatam, South India.

(xiii) *Screw Manufacturers*

*25. Guest, Keen, Williams, Ltd., 41, Chowringhee Road, Calcutta-16.

(xiv) *Government Departments*

26. The Secretary, Railway Board, Government of India, New Delhi.

*27. The Director General, Ordnance Factories, 6, Esplanade East, Calcutta-1.

(To be published in Part I, Section 1 of the Gazette of India
Extraordinary)

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE & INDUSTRY

New Delhi, the 30th November 1955

RESOLUTION

TARIFFS.

No. 1(1)-T.B./55.—The Tariff Commission has submitted its Report on the continuance of protection to the Coated Abrasives Industry on the basis of an inquiry conducted by it under Sections 11(e) and 13 of the Tariff Commission Act, 1951. Its recommendations are as follows:—

- (1) Protection to the coated abrasives industry need not be continued beyond 31st December, 1955. If at any time in the future, the industry finds itself unable to meet foreign competition, it may apply to Government for a fresh examination of its case.
- (2) Imports of emery, synthetic abrasive grains and kraft paper required for the manufacture of coated abrasives should continue to be allowed free of duty.
- (3) No restriction should be placed on imports of Turkish emery as indigenous synthetic emery grains produced by Shevaroy Bauxite Products Ltd. do not satisfy the requirements of the coated abrasives industry except to a very limited extent.
- (4) The Indian Standards Institution should expedite the formulation of standard specifications for all coated abrasives including water-proof abrasives and emery fillets.
- (5) The manufacturers should make their representations regarding the present procedure in respect of the concession as in (2) above to the Revenue Authorities direct, who may examine the possibility of allowing imports of emery, synthetic abrasive grains and kraft paper to be cleared free of duty subject to production of a consumption certificate within a reasonable period.

2. Government accept recommendation (1) and steps will be taken to implement it. Attention of the Industry is invited to the latter part of the recommendation.

3. Recommendation (2) is under the consideration of Government. Pending final decision, the existing concession will continue.

4. As regards recommendation (3), Government have taken note of the Commission's views, which will be taken into account, along with other relevant factors, while framing the import policy from time to time.

5. Government also accept recommendation (4) and will take steps to implement it as far as possible.

6. The attention of the industry is invited to recommendation (5).

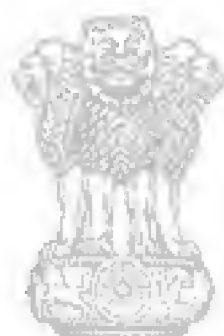
ORDER

Ordered that a copy of the Resolution be communicated to all concerned and that it be published in the *Gazette of India*.

(Sd.) K. B. LALL,
Joint Secretary to the Government of India.



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